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UNCLAS SECTION 01 OF 14 ROME 000263

SIPDIS

TREASURY PLEASE PASS TO OIA/EB/IFD/OIA
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E.O. 12958: N/A
TAGS: EINV EFIN ETRD ELAB KTDB PGOV IT OPIC USTR
SUBJECT: INVESTMENT CLIMATE STATEMENT 2006

REF: STATE 202943

¶1. Summary. Italy continues to court foreign investors by actively seeking to implement the 2003 legal reforms designed to lift the Italian economy out of its malaise. In 2003 Italy successfully reformed its civil code and made important modifications to its Unified Rules on Financial Intermediation, including specific provisions for listed companies. In addition, at the end of 2005 Italy approved the financial market oversight reform and a new, more favorable bankruptcy law. However, stumbling blocks that discourage investment appear stubborn, such as the inefficient delivery of public services and bureaucratic red tape. The upcoming 2006 April elections and the installation of a new government are unlikely to spur significant change in the investment climate. Yet Italy remains competitive with other developed countries in offering guarantees and opportunities for investment.

¶2. Italy has a diverse and industrial economy, the sixth largest market economy in the world, with the highest proportion of manufacturing jobs among the G-7. Small- and medium-sized firms dominate the Italian economy. Germany, France, and the U.S. remain the most important export markets. Industrial activity is concentrated in the north, one of the most industrialized and prosperous areas in Europe. By contrast the center and particularly the south are less developed, with unemployment in some areas three times that or the north, and per capital incomes much lower. The Italian government does provide incentives for investing in the South, in accordance with European Union (EU) regulations, in an effort to counter the regional economic divide.

OPENESS TO FOREIGN INVESTMENT

¶3. Foreign direct investment in Italy is generally welcomed and encouraged without discrimination. The Italian Government has launched initiatives to identify and reduce deterrents to investing in Italy. The government has also pinpointed several sectors of opportunity for investors, including aerospace, automotive, biotech, chemicals, food and beverages, information and communication technologies, regional transportation and logistics hubs, pharmaceuticals, and tourism.

¶4. As an EU Member State, Italy is bound by EU treaties and legislation, some of which have an impact on business investment. Prospective investors should also consult the investment climate statement for the EU at www.state.gov/e/eb. As specified under the right of establishment set forth in the EU Treaty (1957 Treaty of Rome), Italy provides national treatment to foreign investors established in Italy or in another EU member state, except in a few instances. Exceptions include limited access to government subsidies for the film industry, added capital requirements for banks domiciled in non-EU member countries, and restrictions on non-EU-based airlines operating domestic routes. Italy also has restrictions in the shipping sector.

¶5. The government does have the authority to restrict foreign investment in some areas or in some cases. The government can block mergers involving foreign firms for "reasons essential to the national economy" or, if the home government of the foreign firm applies discriminatory measures against Italian firms. Industry sectors, such as defense and aircraft manufacturing, are either closely regulated or prohibited outright to foreign investors. EU and Italian anti-trust laws give EU and Italian authorities the right to review mergers and acquisitions over a certain financial threshold.

¶6. The 2005 World Competitive Survey by the Swiss-based Institute for Management Development (IMD) ranked Italy fifty-third among the world's sixty most competitive economies. The 2005 World Economic Forum (WEF), "Global Competitiveness Report" ranked Italy forty-seventh among the 117 countries surveyed; Italy's

economy was judged only better than Poland's among the twenty-five EU Member States.

¶7. Foreign investors are not prevented from investing in firms to be privatized, except in the defense sector. Privatization strategies have included private placement, worker shareholdings, management buy-outs, and public stock offerings. Often the government establishes a core group of shareholders who agree to keep their shares for a minimum period or retain a "golden share" (modest government stake, but with controlling authority). The European Commissioner for Internal Markets asked Italy to modify its golden share regulation by December, 2005, or face an infringement proceeding and potentially a case before the European Court of Justice. Italy is the only EU member country to keep wide-ranging golden share regimes for privatized companies, however, it plans to eliminate the golden share and introduce a measure to avoid hostile takeovers when the Italian Government's stake in the company falls below thirty percent. This measure is designed specifically for key energy and defense companies such as ENI, Enel, Terna and Finmeccanica. A recent study of the EU Commission highlights that in the EU there are twenty companies in which Member States hold golden share, five of which are Italian (Eni, Enel, Finmeccanica, Terna and Telecom).

CONVERSION AND TRANSFER POLICIES

¶8. In conformance with EU directives, Italy has no foreign exchange controls. There are no restrictions on currency transfers, only reporting requirements. Banks are required to report any transaction over _12,500 ($15,000) due to money-laundering and terrorism financing concerns. Profits, transfers, payments, and currency transfers may be freely repatriated. Residents and non-residents may hold foreign exchange accounts.

EXPROPRIATION AND COMPENSATION

¶9. The Italian constitution permits expropriation of private property for "public purposes." Compensation is guaranteed and must adequately compensate the legitimate proprietor for losses. Lenders are not covered by the same constitutional guarantee as proprietors. The Constitution also authorizes the nationalization of enterprises that provide essential public services or are deemed indispensable to the national economy. There exists a few longstanding disputes in Italy involving U.S. citizens who assert that municipal governments unjustly expropriated their real property or inadequately compensated them. However, this does not reflect any Italian Government discrimination against U.S. investments, companies, or representatives in any specific sector of activity.

DISPUTE SETTLEMENT

¶10. Italy's judicial system may serve as a deterrent to foreign investor as civil trials average seven years in length. U.S. investors in Italy can choose among different means of dispute resolution and the method chosen should be specifically set forth in the contract.

¶11. Italy is a member of the World Bank's International Center for the Settlement of Investment Disputes (ICSID). Italy has signed and ratified the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States, and is a signatory of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

¶12. Though extremely slow, the Italian legal system is consistent with generally recognized principles of international law, with provisions for enforcing property and contractual rights. Italy has a written and consistently applied commercial law and bankruptcy law. While the Italian judiciary is considered independent of the government, Italian judges may engage in political artisanship. Italian courts accept and enforce foreign judgments only upon request.

¶13. At the end of 2005 the Italian Government passed a new bankruptcy law that reforms the 1942 law. The new law, analogous to U.S. Chapter 11 re-structuring, provides more flexibility between parties to reach a solution before declaring bankruptcy. The judicial role in bankruptcy procedures has been drastically limited to simplify and speed up the process. The new regulation will go into effect in June 2006.

PERFORMANCE REQUIREMENTS/INCENTIVES

¶14. The Italian Government is in compliance with WTO Trade-Related Investment Measures (TRIMS) obligations. Foreign investors face specific performance requirements only in the telecommunications sector, however that has not deterred investment in this sector. For example in 2005 Weather Investments, owned by an Egyptian financier, bought Wind, Italy's second largest telecom company, and Vodafone, Italy's second largest mobile operator, is foreign-controlled. New entrants in fixed-line services must file with the government company a statement that they are operationally capable.

¶15. The Italian government offers incentives to encourage private sector investment in economically depressed areas, particularly in southern Italy. . Foreign investors may participate in government research and development programs. Recently the Italian government began efforts to strengthen research and development by linking up basic and applied research. The Ministry of Education and Research has identified, funded, and signed Framework Program Agreements with seven "Technology Districts" and approved an additional twelve Districts. Technology Districts, created to facilitate co-operation between public and private researchers and venture capitalists, serve to support research and development of key technology, strengthen industrial research activities, and promote innovative behavior in small- and medium-sized enterprises.

¶16. The Italian tax system does not discriminate between foreign and domestic investors. In 2003, the Italian Parliament passed a law to broadly reform the tax system, a law known as Law No. 80 of April 7, 2003, the "Reform" or "Law of Reform"). The law simplifies the tax legislation and creates a more favorable tax environment for domestic and foreign investments.

¶17. The new tax law entered into force on January 1, ¶2004. For corporations, the main characteristics of the reformed tax system are:
-- A ceiling of 33% on the corporate income tax rate.
-- Exemption from capital gains taxes of profits resulting from selling interests in Italian and foreign corporations.
-- Abolishment of the dividend tax credit, and the introduction of a 95% exemption on dividend distributions (provided dividends are distributed to corporations).
-- Introduction of a group taxation regime for Italian/foreign corporations belonging to the same group to consolidate their tax base at the level of the Italian parent.
-- Introducing the so-called 'thin capitalization rule' whereby a debt/equity ratio aims to avoid thin capitalization of Italian corporations. Thin capitalization is defined as when the overall debt exceeds four times the value of the company assets.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

¶18. There is no limitation in either the Italian constitution or civil law on the right to private ownership and establishment. The Italian Government announced in September 2005 plans to dispose of real estate assets with an estimated value of three billion euros, a move designed to help reduce the national budget deficit. As part of this initiative in December 2005 the government set up Patrimonio 1, a real estate fund which includes real estate for sale, with an estimated value of 800 million euros.

PROTECTION OF PROPERTY RIGHTS

¶19. Italy is a member of the Paris Union International Convention for the Protection of Industrial Property (patents and trademarks) to which the United States and about 85 other countries adhere. U.S. citizens generally receive national treatment in acquiring and maintaining patent and trademark protection in Italy. After filing a patent application in the United States, a U.S. citizen is entitled to a twelve-month period within which to file a corresponding application in Italy and receive rights of priority- the benefit in Italy of the first U.S. filing date. Patents are granted for twenty years from the effective filing date of application and are transferable. U.S. authors can obtain copyright protection in Italy for their work first copyrighted in the United States merely by placing on the work, their name, date of first publication, and

the symbol (c).

¶20. In August 2000, the Italian Parliament enacted a long-awaited "anti-piracy" law, providing for higher criminal penalties, including prison sentences of up to four years, for Intellectual Property Rights (IPR) violations. Italy has since been moved from the U.S. Trade Representatives Special 301 IPR "Priority Watch List" to the "Watch List." Copyrighted works sold in Italy generally must bear a sticker issued by SIAE, a royalty collection agency operating under authority from the Ministry of Culture. While the music and film industries are largely satisfied with the stickering system, software industry associations have complained the system remains overly burdensome and fails to provide adequate protection from piracy. In January 2003, the Italian government approved exemptions for business software from the SIAE sticker requirement.

¶21. In 2005, Italy's parliament passed legislation that some copyright industry associations believe weaken Italy's IPR legal framework. Italy's Internet piracy statute was revised to reduce criminal sanctions for on-line piracy conducted without a profit motive. While illegal file sharing technically remains a crime, only those who engage in piracy for monetary gain now face jail time while all others face administrative fines only. Parliament also passed a broad-sweeping legal reform bill (known as the "ex-Cirielli" law), which places new limits on the statute of limitations in many criminal cases. While the law's supporters say the reform is necessary to speed the slow pace of trials, IP industries fear the new restrictions will discourage Italian prosecutors from pursuing IPR cases.

¶22. Enforcement of IPR remains a serious problem in Italy and falls below the standards of other developed Western European countries. Relatively few IPR cases are brought to trial. Even when prosecutors win a conviction, judges are generally reluctant to sentence offenders to prison. The Customs Police is actively seizing pirated and counterfeit goods along the border, and Italy's national financial police force, the Guardia di Finanza, has grown steadily more effective in IPR enforcement. However many local governments do little to stop the sale of pirated and counterfeit goods by street vendors. In April 2005, Italy enacted a new law empowering police to fine consumers of pirated and counterfeit items up to _10,000. Several municipalities, such as Florence, have undertaken aggressive publicity campaigns to alert Italians and foreign tourists of the new law. Pirated optical discs, in addition to counterfeit items, continue to be openly sold in most Italian cities.

TRANSPARENCY OF THE REGULATORY SYSTEM

¶23. Italy is recovering from the collapse of Parmalat, and allegations that the Governor of Italy's Central Bank actively supported Italian banks to the detriment of foreign banks in takeovers, explicitly illegal under EU regulations. In an effort to improve accountability and competition, Italy's President approved a law December 28, 2005 to overhaul the Bank of Italy and improve corporate governance and oversight. Italy is subject to single market directives mandated by the European Union, which are intended to harmonize many regulatory regime among EU countries. Harmonization of standards relating to labeling, content, production, safety, etc., can reduce development costs and contribute to economies of scale for companies that wish to operate in Italy.

¶24. The 12th edition of the "Index of Economic Freedom" published by the Wall Street Journal and Heritage Foundation gave Italy a 3 on a 1 - 5 scale for its regulatory environment. It cited red tape and regulations that vary from region to region and are inefficiently implemented as contributing to a non-transparent system.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT
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¶25. Financial resources flow relatively freely in Italian financial markets, and credit is allocated on market terms. Foreign participation in Italian markets is not restricted; foreign investors are able to get credit on local market and have access to variety of credit instruments. The Italian stock exchange has fewer than 300 companies, and according to the Organization for Economic Cooperation and Development's 2005 Economic Survey of Italy, new listings have

decreased since 2000, especially in the Nuovo Mercato segment specializing in innovative companies. In response, Borsa Italiana established two new segments of the market devoted to smaller companies: STAR and Mercato Expandi launched in 2001 and 2003, respectively. Nuovo Mercato has been reshaped and given a new name (Techstar). Despite this effort, the number of listed companies continues to decrease. The 2004 budget law introduced a reduction in the business tax rate from 33% to 20% for newly listed companies during its first three years. Moreover, taxation of capital gains from mutual funds specialized in small listed companies has been reduced from 12.5% to five percent.

¶26. Financial services companies incorporated in another EU member state may offer investment services in Italy without establishing a local presence. U.S. and other firms based in non-EU member states may operate under authorization from Italian Companies and Stock Exchange Commission (CONSOB), the oversight authority for securities markets, corporate governance, and company audits.

¶27. There is a growing competitive equality between the public and private sectors. Previously, Italian government bonds absorbed a large share of available domestic investment, but this share declined as interest rates on those bonds dropped as Italy prepared for EU economic and monetary union. Even with lower yields, the Italian government bonds are considered a safe haven for domestic investors burned by defaults on Argentinean, as well as Parmalat and Cirio, bonds.

¶28. Authorization by the Bank of Italy is required to acquire more than five percent of a financial institution's capital (or to gain effective control of a financial institution, regardless of the amount of capital acquired). Non-bank companies (either Italian or foreign) may not acquire more than 15 percent of a bank's capital. Complex cross-shareholding has been used to fight off takeover attempts in the financial sector. Foreign banks are part of "stable shareholder" arrangements of Italian largest bank. Recently the Dutch Bank ABN-Amro obtained complete control of an Italian medium sized bank, Banca Antonveneta.

¶29. The Italian banking sector remains sound despite the recent allegations of favoritism by the Bank of Italy. The ratio of outstanding bank credit to GDP rose to 86 percent in 2004 and only 4.7 percent of total lending is estimated non-performing. The banking sector in the last decade has undergone significant consolidation, with about 60 percent of total Italian banking assets involved. From 1994 to 2004, 331 mergers and acquisitions took place, with the number of banks decreasing from almost 1,000 to less than 780 at end-2004. Country's largest banks are Intesa-Bci, San Paolo-IMI, Capitalia, Unicredito Italiano, and Banca Nazionale del Lavoro and Monte dei Paschi di Siena. The total assets of Italy's six largest banks is equal to 54.6 percent of total assets. Retail banking fees in Italy are the highest among EU Member States. For example, the price to provide a basic payment service related to a bank account is eight times higher in Italy than in the most efficient EU Member State.

POLITICAL VIOLENCE

¶30. Political violence is a low threat to foreign investments in Italy.

CORRUPTION

¶31. Italy is a signatory to the 1997 OECD Convention on Combating Bribery, ratified in September 2000. Italy has signed, but not ratified, the United Nations Convention Against Corruption, which was adopted in 2003 and came into force on December 14, 2005.

¶32. Recent charges of favoritism leveled against Bank of Italy's Governor Fazio eventually led to his resignation and helped encourage parliament to push through a law designed to make the Bank both more accountable and transparent. Although the scandal initially negatively impacted Italy's image, it may result in a more transparent and investor-friendly framework for the banking industry.

¶33. According to Transparency International's (TI) 2005 Global Corruption Barometer Survey, Italians perceive sectors related to investment as corrupt. When Italians were asked, to what extent do you perceive the following

sectors in this country/territory to be affected by corruption? (1: not at all corrupt, . 5: extremely corrupt), they assigned 3.5 to the categories of Business/Private Sector, Tax Revenue, and Registry and Permit Services, well above the average for Western Europe of 2.5. More than 50% of Italians felt that business had been adversely affected by corrupt practices.

¶34. TI's Corruption Perceptions Index 2005 ranked Italy the fortieth least corrupt country in the world. While a slight improvement over its 2004 ranking, it is still perceived as being more corrupt than most EU member states (ranked eighteenth out of twenty-five). In January 2003, Italy enacted a law creating a High Commissioner to prevent and combat bribery within public administration.

¶35. Corruption is punishable under Italian law. As in all judicial processes, much discretion regarding punishment is left to the presiding judge. Most corruption in the recent past has involved government procurement or bribes to tax authorities. Bribes are not considered deductible business expenses under Italian tax law.

BILATERAL INVESTMENT AGREEMENTS

¶36. As of June 2005, Italy has bilateral investment agreements with the following countries:

Albania
Algeria
Angola (signed, not enforced)
Argentina
Armenia
Azerbaijan
Bangladesh
Barbados
Belarus
Bolivia
Bosnia and Herzegovina (signed, not enforced)
Brazil (signed, not enforced)
Bulgaria
Cape Verde (signed, not enforced)
Chad
Chile
China
Colombia (signed, not enforced)
Congo
Cte d' Ivoire (signed, not enforced)
Croatia
Cuba
Czech Republic
Ecuador (signed, not enforced)
Egypt
Eritrea
Estonia
Ethiopia
Gabon (signed, not enforced)
Georgia
Ghana (signed, not enforced)
Guatemala (signed, not enforced)
Guinea
Hong Kong, China
Hungary
India
Indonesia
Iran, Islamic Republic of (signed, not enforced)
Jamaica
Jordan
Kazakhstan
Kenya
Korea, DPR of (signed, not enforced)
Korea, Republic of
Kuwait
Latvia
Lebanon
Lithuania
Macedonia, TFYR
Malawi (signed, not enforced)
Malaysia
Malta
Mauritania (signed, not enforced)
Mexico
Moldova, Republic of (signed, not enforced)
Mongolia
Morocco
Mozambique (signed, not enforced)
Nicaragua (signed, not enforced)
Oman
Pakistan
Paraguay (signed, not enforced)
Peru

Philippines
Poland
Romania
Russian Federation
Saudi Arabia
Slovakia
Slovenia
South Africa
Sri Lanka
Syrian Arab Republic (signed, not enforced)
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
Tanzania, United Republic of
Uruguay
Uzbekistan
Venezuela
Vietnam
Zambia (signed, not enforced)
Zimbabwe (signed, not enforced)

Additional information on bilateral agreements can be found at http://www.unctad.org

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

¶37. The U.S. Overseas Private Investment Corporation (OPIC) does not operate in Italy. However, in March 2003, OPIC signed a Memorandum of Understanding with SIMEST (Societa Italiana per le Imprese all'Estero), its Italian counterpart, to expand cooperation in a number of areas, particularly on projects in third countries. Italy, through its Export Credit Agency, SACE, has signed a memorandum of understanding with the World Bank's Multilateral Investment Guarantee Agency (MIGA).

LABOR

¶38. Unemployment in Italy is moderate at 7.1 percent (third quarter 2005), but below the average of 8.7 percent among euro zone countries (November 2005). Italy's unemployment rate is currently at the lowest level since 1992. Traditional regional disparities remain unchanged with the southern third of the country having a 13.2 percent unemployment rate compared to 3.9 percent in the northern third and 5.8 percent in central Italy. Despite these differences, internal migration within Italy remains modest. Labor shortages in the North are being filled by unskilled and semi-skilled immigrants. The Bossi-Fini law, enacted in 2001, provides for the legalization of 650,000 undocumented foreign workers and grants a residence permit to immigrants who are legally employed.

¶39. Italy's labor force is fairly well-educated, with just under 36 percent of people aged 19 to 25 enrolled in university/tertiary level of education for the 2001-2 academic year. According to the 2001 census, 7.9% of adults hold university degrees. However the drop-out rate is high; the OECD cites just over 40 percent of students who matriculate actually complete their degree. According to the OECD 2005 Economic Review of Italy, the private internal rate of return, which measures incentives to invest in human capital, is much lower for tertiary education (6.5 per cent) than the OECD average (11.8 per cent), indicating there may be little incentive for Italians to pursue higher education. This is because persons with tertiary educations do not earn substantially more than persons with upper secondary educations, and because the unemployment risk is comparable for people at both levels of education. Therefore, firms interested in investing in Italy may have difficulties finding highly specialized Italian employees.

¶40. Like many western EU Member States, Italy has been known for legal obstacles to hiring and firing workers. Companies may bring in a non-EU employee only after the government-run employment office has certified that no qualified, unemployed Italian is available to fill the position. Work visas are subject to annual quotas, although intra-company transfers are exempt from quota limitations.

¶41. Recently the Italian labor market has become somewhat more flexible. A series of legal reforms has encouraged the hiring of part-time employees by reducing employer social security contributions for these workers. New laws have also created opportunities for outsourcing, job-sharing and use of private employment

services. New types of contracts now exist that allow for reduced labor costs. U.S. companies in Italy increasingly are satisfied with labor flexibility. However, high costs and legal obstacles associated with laying off workers remain a disincentive for adding employees.

¶42. Italy is an International Labor Organization member country. Terms and conditions of employment are also periodically fixed by collective labor agreements in different professions. Most Italian unions are grouped into four major national confederations: The General Italian Confederation of Labor - CGIL; the Italian Confederation of Workers' Unions - CISL; the Italian Union of Labor - UIL; and the General Union of Labor - UGL. The first three organizations are affiliated with the International Confederation of Free Trade Unions (ICFTU), while the UGL has been associated with the World Confederation of Labor (WCL). The confederations negotiate national level collective bargaining agreements with employer associations, which in effect are binding on all employers in a sector or industry. As the result of a tripartite agreement among employer groups, the government, and unions, the confederations accepted wage moderation in exchange for participation in formulating national economic policy.

FOREIGN TRADE ZONES/FREE PORTS

¶43. There are two free trade zones in Italy, located in Trieste and Venice, both in the northeast. Goods of foreign origin may be brought in without payment of taxes or duties, as long as the material is to be used in the production or assembly of a product that will be exported. The free-trade zone law also allows a company, of any nationality, to employ workers of the same nationality under that country's labor laws and social security systems.

Benefits of a free-trade zone include:

- customs duties deferred for 180 days from the time that the goods leave the free trade zone to enter another EU country;

- the goods may undergo transformation free of any customs restraints;

- absolute exemption from any duties on products coming from a third country.

U.S. Companies in Italy

¶44. The largest U.S. companies in Italy, based on number of employees, are:

IBM
General Electric
Pfizer
Whirlpool
EDS Electronic Data Systems
Accenture
Lear
United Technologies

FOREIGN DIRECT INVESTMENT STATISTICS

¶45. While Italy provides a reasonably attractive environment for investment, there is a growing recognition in both the Italian public and private sector that Italy lags behind many of its fellow European Union (EU) member states in attracting and maintaining foreign investment. According to UN figures, net foreign investment into Italy in 2003 totaled USD 16.4 billion (equal to 1.1 percent of GDP), well below that of Luxembourg (USD 87.6 billion) France (USD 47 billion), Belgium (USD 29.5), Spain (USD 25.6 billion), Ireland (USD 25.5) but slightly above that of Germany (USD 12.9 billion).

Table 1: Italian Foreign Direct Investment Inflows by Economic Sector (Net) 2001-2004 (USD Millions) (1) (*)

	2001	2002	2003	2004
Agriculture	171.6	-95.6	108.5	234.8
Energy	922.3	435.2	1993.8	4463.3
Industry	4758.1	4942.9	5933.1	2016.2
of which:				

Machine	1125.8	1942.1	2023.9	3690.7
Chemical	358.9	623.4	1066.8	-3535.4
Food	991.2	504.2	2483.5	362.7
Textiles	240.1	394.5	353.4	513.0
Mineral/Metal	334.4	311.2	468.5	687.0
Other	1707.7	1167.5	-463.0	298.2
Building and Public Works	146.6	168.4	363.0	125.7
Services	8185.9	8812.9	6634.2	9576.4
of which:				
Banking/ Insurance	1761.8	4011.0	2972.2	5749.1
Trade	845.5	525.0	410.4	36.0
Transportation/ Communication	1119.3	544.0	-412.6	516.8
Other Services (Not For Sale)	4459.3	3732.9	3664.2	3274.5
T O T A L	14184.6	14263.8	15031.9	16416.2

Table 2: Italian Direct Investment Outflows by Economic Sector (Net) 2001-2004 (Millions Of Dollars) (1) (*)

	2001	2002	2003	2004
Agriculture	8.8	8.5	38.0	21.1
Energy	8313.1	2376.4	3450.7	5336.7
Industry	4834.9	3321.4	1332.9	7573.9
of which:				
Machine	1393.2	1428.5	-1393.3	4234.8
Chemical	651.7	321.6	721.2	1730.4
Food	557.4	99.3	295.2	151.6
Textiles	151.7	469.2	336.6	287.0
Mineral/Metal	774.3	158.0	274.0	246.0
Other	1306.7	844.8	1099.2	924.1
Building And Public Works	105.5	-35.0	223.6	85.7
Services	7891.3	9848.8	1935.7	5037.3
of which:				
Banking/ Insurance	708.6	4140.6	5492.6	2636.0
Trade	428.3	852.3	485.3	1060.9
Transportation/ Communication	2661.9	338.7	-8217.6	-923.0
Other Services (Not For Sale)	4092.5	4517.2	4175.4	2263.4
T O T A L	21153.6	15520.1	6980.9	18054.7

Table 3a: Stock Of Foreign Direct Investment In Italy by Major Investors; Year End 2001-2004 (USD Millions) (1)

	2001	2002	2003	2004
United States	13781.5	15373.7	19458.1	22448.3
EU	67574.5	80358.0	113750.9	140705.8
of which:				
EU15	67574.5	80358.0	113750.9	140300.8
of which:				
France	14273.7	17071.0	21294.1	24618.1
Netherlands	14033.8	17444.7	26882.4	39024.4
United Kingdom	12791.7	14692.1	22266.6	26624.2
Germany	8868.0	9959.3	13797.2	14317.9
Luxembourg	10703.7	13171.2	18354.2	22345.1
Sweden	2208.8	2431.2	2967.5	3343.1
Spain	853.9	936.3	1279.1	1941.8
Other EU (3)	3840.8	4652.3	6909.9	8086.2
Other EU25 (4)	N/A	N/A	N/A	405.0
Switzerland	13899.7	15375.8	18481.9	21881.1
Liechtenstein	1334.7	1438.4	1824.8	2106.7
Japan	1984.8	2315.2	2991.2	3596.6
Argentina	119.1	129.4	185.3	257.7
Brazil	54.7	58.5	78.8	128.7
Other	5740.8	6182.7	7330.4	9736.8
T O T A L	104,489.8	121,231.7	164,816.0	200,456.7

Table 3b: Stock Of Foreign Direct Investment In Italy By Major Investors; Year End 2001-2004 (Percentage Of Total)

	2001	2002	2003	2004
United States	13.2	12.7	11.8	11.2
EU	64.7	66.3	69.0	70.2

of which:				
EU15	64.7	66.3	69.0	70.0
France	13.7	14.1	12.9	12.3
Netherlands	13.4	14.4	16.3	19.5
United Kingdom	12.2	12.1	13.5	13.3
Germany	8.5	8.2	8.4	7.1
Luxembourg	10.2	10.9	11.1	11.1
Sweden	2.1	2.0	1.8	1.7
Spain	0.8	0.8	0.8	1.0
Other EU15 (3)	3.8	3.8	4.2	4.0
Other EU25 (4)	N/A	N/A	N/A	0.2
Switzerland	13.3	12.7	11.2	10.9
Liechtenstein	1.3	1.2	1.1	1.1
Japan	1.9	1.9	1.8	1.8
Argentina	0.1	0.1	0.1	0.1
Brazil	0.1	0.1	0.0	0.1
Other	5.4	5.0	4.4	4.8
T O T A L	100.0	100.0	100.0	100.0

Table 4a: Stock Of Italian Direct Investment Abroad by Major Recipient; Year End 2001-2004 (Millions Of Dollars)(2)

	2001	2002	2003	2004
United States	18799.9	17390.4	18420.5	18858.5
EU	106956.2	118190.0	147956.2	182591.9
Of which:				
EU15	106956.2	118190.0	147956.2	180360.5
Netherlands	29154.3	32087.7	48455.6	63292.5
Luxembourg	20457.4	24228.6	21755.9	26373.4
France	15487.5	16131.5	20921.2	24353.9
United Kingdom	17437.9	18715.0	20270.3	24167.5
Germany	9505.8	9272.4	13065.1	15764.8
Spain	6204.9	7125.3	9871.1	10886.2
Sweden	602.5	600.2	748.4	866.3
Other EU15 (3)	8708.4	10029.3	12868.6	14655.9
Other EU25 (4)	N/A	N/A	N/A	2231.4
Switzerland	8975.6	9321.5	11176.5	10563.1
Brazil	4056.9	2486.4	3473.1	3956.0
Argentina	2133.0	1633.6	2127.7	2179.1
Japan	965.0	954.1	1137.7	1240.4
Liechtenstein	141.1	144.1	169.0	194.4
Other	17761.7	19552.1	23107.6	24921.1
T O T A L	159789.5	169672.0	208635.8	244504.5

Table 4b: Stock Of Italian Direct Investment Abroad by Major Recipient; Year End 2001-2004 (Percentage Of Total)

	2001	2002	2003	2004
United States	11.8	10.2	8.8	7.7
EU	66.9	69.7	70.9	74.7
of which:				
EU15	66.9	69.7	70.9	73.8
Luxembourg	12.8	14.3	10.4	10.8
Netherlands	18.2	18.9	23.2	25.9
France	9.7	9.5	10.0	10.0
Germany	5.9	5.5	6.3	6.4
United Kingdom	10.9	11.0	9.7	9.9
Spain	3.9	4.2	4.7	4.5
Sweden	0.4	0.4	0.4	0.4
Other EU15 (3)	5.1	5.9	6.2	6.0
Other EU25 (4)	N/A	N/A	N/A	0.9
Switzerland	5.6	5.5	5.4	4.3
Brazil	2.5	1.5	1.7	1.6
Argentina	1.3	1.0	1.0	0.9
Japan	0.6	0.6	0.5	0.5
Liechtenstein	0.1	0.1	0.1	0.1
Other	11.2	11.5	11.1	10.2
T O T A L	100.0	100.0	100.0	100.0

Table 5a: U.S. Investment In Italy by Economic Sector Outstanding End-Year 2001-2004 (Millions Of Dollars) (2)

	2001	2002	2003	2004
Agriculture	21.2	29.2	36.3	40.2
Energy	404.0	434.2	545.7	627.6
Industry	8712.8	9236.0	11812.3	13607.1
of which:				
Machine Transportation	2067.7	2098.1	2635.8	2979.7

Equipment	586.6	621.1	782.2	902.5
Chemical	2303.2	2487.5	3162.7	3689.1
Food	1223.5	1306.9	1667.1	1920.3
Textiles	165.8	179.5	230.3	273.6
Minerals/Metals	240.8	272.4	395.5	451.9
Other	2125.0	2297.5	2938.7	3390.0
Services	4643.5	5647.2	7063.8	8173.4
of which:				
Trade	643.2	690.0	853.6	987.0
Banking/ Insurance	2248.5	2910.2	3505.6	4008.2
Transportation/ Communication	419.9	456.2	582.0	666.5
Other Services	1340.8	1590.8	2122.7	2511.7
T O T A L	13781.5	15373.7	19458.1	22448.3

Table 5b: U.S. Investment In Italy by Economic Sector Outstanding End-Year 2001-2004 (Percentage Of Total)

	2000	2001	2002	2003
Agriculture	0.2	0.2	0.2	0.2
Energy	2.9	2.8	2.8	2.8
Industry	63.2	60.3	60.7	60.6
of which:				
Machine	15.0	13.7	13.6	13.3
Transportation Equipment	4.3	4.0	4.0	4.0
Chemical	16.7	16.2	16.3	16.4
Food	8.9	8.5	8.6	8.6
Textiles	1.2	1.2	1.2	1.2
Minerals/ Metals	1.8	1.8	2.0	2.0
Other	15.5	14.9	15.0	15.1
Services	33.7	36.7	36.3	36.4
of which:				
Trade	4.6	4.5	4.4	4.4
Banking/ Insurance	16.3	18.9	18.0	17.9
Transportation/ Communication	3.1	3.0	3.0	3.0
Other Services	9.7	10.3	10.9	11.1
T O T A L	100.0	100.0	100.0	100.0

Table 6a: Italian Investment in the U.S. by Economic Sector Outstanding End-Year 2001-2004 (Millions Of Dollars) (2)

	2000	2001	2002	2003
Agriculture	54.7	48.0	51.3	52.3
Energy	1971.6	1727.6	1816.0	1831.8
Industry	7349.0	6749.5	7061.3	7254.8
of which:				
Machine	2759.3	2484.3	2732.2	2777.2
Transportation Equipment	843.3	775.6	863.6	950.8
Chemical	507.2	494.8	261.6	205.2
Food	263.8	249.5	264.1	273.6
Textiles	723.3	670.1	724.7	741.6
Minerals/ Metals	1548.1	1440.5	1541.9	1589.1
Other	703.9	634.7	673.3	717.3
Services	9424.7	8865.3	9491.9	9719.6
of which:				
Trade	1175.9	690.0	1142.7	1177.4
Banking/ Insurance	4433.6	4179.5	4434.3	4615.7
Transportation/ Communication	284.9	456.2	274.1	232.0
Other	3530.3	3539.7	3640.8	3694.5
T O T A L	18799.9	17390.4	18420.5	18858.5

Table 6b: Italian Investment in the U.S. by Economic Sector Outstanding End-Year 2000-2003 (Percentage Of Total)

	2001	2002	2003	2004
Agriculture	0.3	0.3	0.3	0.3
Energy	9.0	10.5	9.9	9.9
Industry	39.5	39.1	38.8	38.3

of which:				
Machine	14.0	14.7	14.3	14.8
Transportation Equipment	4.5	4.5	4.5	4.7
Chemical	2.8	2.7	2.9	1.4
Food	0.9	1.4	1.4	1.4
Textiles	4.1	3.9	3.8	3.9
Minerals/ Metals	8.7	8.2	8.3	8.4
Other	3.3	3.7	3.6	3.7
Services	51.2	50.1	51.0	51.5
of which:				
Trade	6.4	6.3	4.0	6.2
Banking/ Insurance	24.1	23.6	24.0	24.1
Transportation/ Communication	0.6	1.5	2.6	1.5
Other	20.1	18.7	20.4	19.7
T O T A L	100.0	100.0	100.0	100.0

Table 7: Direct Investment by Origin And Destination Outstanding End-Year 2004 (Millions Of Dollars) (4)

	Foreign Investment n Italy	Italian Investment Abroad	Net Italian Position
EU	140705.8	182591.9	41886.1
of which:			
EU15	140300.8	180360.5	40059.7
Of which:			
United Kingdom	26624.2	24167.5	-2456.7
Netherlands	39024.4	63292.5	24268.1
Germany	14317.9	15764.8	1446.9
France	24618.1	24353.9	-264.2
Spain	1941.8	10886.2	8944.4
Luxembourg	22345.1	26373.4	4028.3
Belgium	3336.4	5310.4	1974.0
Sweden	3343.1	866.3	-2476.8
Other EU15 (6)	4749.8	9345.5	4595.7
Other EU25 (4)	405.0	2231.4	1826.4
Non-EU	59750.9	61912.6	2161.7
of which:			
USA	22448.3	18858.5	-3589.8
Switzerland	21881.1	10563.1	-11318.0
Liechtenstein	2106.7	194.4	-1912.3
Japan	3596.6	1240.4	-2356.2
Canada	866.3	1170.7	304.4
Argentina	257.5	2179.1	1921.6
Brazil	128.7	3956.0	3827.3
Other	8465.7	23750.4	15284.7
T O T A L	200456.7	244504.5	44047.8

(1) Annual net investment flow data compiled by the Economic Section of the Embassy based on Bank of Italy data and converted at the following end year exchange rates:

	2001	2002	2003	2004
Euro/Dollar	1.117	1.057	0.894	0.805

(2) Compiled by the Economic Section of the Embassy based on Bank of Italy data and converted at the following end year exchange rates:

	2001	2002	2003	2004
Euro/Dollar	1.134	0.958	0.799	0.746

(*) Net = New Investment Less Disinvestment. The volatility and huge changes from year to year in some sections can be explained in part by the fact that listed data are "Net": New Investment Minus Disinvestment.

(3) Belgium, Austria, Denmark, Finland, Portugal, Greece, Ireland

(4) Cyprus, Czech Republic, Estonia, Hungary, Latwia, Lithuania, Malta, Poland, Slovakia, Slovenia (members since May 1, 2004).

(5) Original data in euro and converted at the end-2004 exchange rate, one dollar equals 0.746

(6) Austria, Denmark, Finland, Portugal, Greece, Ireland

Sources: Italian Exchange Office And Bank Of Italy

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